

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of

Implementation of the Subscriber Carrier
Selection Changes Provisions of
The Telecommunications Act of 1996

CC Docket No. 94-129

Policies and Rules Concerning
Unauthorized Changes of Consumers'
Long Distance Carriers

**COMMENTS OF TELECOM NEW ZEALAND COMMUNICATIONS (USA) LTD IN
SUPPORT OF
VOICELOG'S PETITIONS FOR PARTIAL STAY AND FOR RECONSIDERATION**

Telecom New Zealand Communications Ltd submits these comments in support of the petitions for partial stay and reconsideration of the Commission's *Third Report and Order*¹ filed by VoiceLog LCC ("VoiceLog") on March 28, 2001 in this proceeding. VoiceLog has requested that the Commission reconsider its decision to require a carrier or a carrier's sales representative initiating a three-way conference call or a call through an automated verification system to drop off the call once the three-way connection has been established (the "drop off rule").² VoiceLog has also asked the Commission to stay the application of the drop off rule to the extent that the rule would prohibit a carrier or a carrier's sales representative from remaining silently on the line during a third-party verification ("TPV") call, to assist the subscriber in reaching a live person or

¹ *Implementation of the Subscriber Carrier Selection Changes Provisions of the Telecommunications Act of 1996*, FCC 00-255 at ¶ 38 (rel. Aug. 15, 2000) ("*Third Report and Order*").

² The drop off rule provides that "[a] carrier or a carrier's sales representative initiating a three-way conference call or a call through an automated verification system must drop off the call once the three-way connection has been established." 47 C.F.R. § 64.1120(3)(ii).

terminate the call connection. Because imposition of the drop off rule would irreparably harm Telecom New Zealand Communications Ltd, and was adopted without consideration of its effects on small carriers, Telecom New Zealand Communications Ltd urges the Commission to expeditiously grant VoiceLog's petitions for partial stay and reconsideration.

BACKGROUND

Telecom New Zealand Communications Ltd is an independent, small business concern that provides competitive long distance services to 1,000 customers in 8 states. Telecom New Zealand Communications Ltd has 4 employees and is not dominant in its field of operation; therefore, it meets the definition of a small business under the Regulatory Flexibility Act ("RFA").³ In addition, Telecom New Zealand Communications Ltd is directly regulated by the Commission, and is directly affected by the rule changes adopted by the Commission in the *Third Report and Order*.

DISCUSSION

I. THE DROP OFF RULE SHOULD BE STAYED BECAUSE IT WILL CAUSE IRREPARABLE HARM TO SMALL CARRIERS, HARM THAT WOULD BE AVOIDED BY ADOPTION OF VOICELOG'S STAY REQUEST.

Telecom New Zealand Communications Ltd is committed to accurately verifying its change orders, and has a strong commitment to preventing slamming. Automated TPV is an effective and affordable way to verify sales transactions to ensure customers in fact want to change carriers. VoiceLog, for example, charges 50 to 75 percent less than live-operator TPV companies while providing quality verifications that effectively prevent slamming and, consequently, a carrier's liability for unauthorized charges. Telecom New Zealand

³ See 5 U.S.C. § 601(3).

Communications Ltd would thus incur substantial additional expense in marketing its services if it were unable to use automated TPV services.

If the drop off rule is not stayed, Telecom New Zealand Communications Ltd will be harmed unnecessarily because even a sales agent that is silent, or that speaks only to assist the subscriber in reaching a live person or terminating the call connection, can be critical to ensuring that consumer intent regarding their choice of carrier is realized. Automated verification uses recorded questions with touch pad prompts. An agent on the line can determine whether a customer is having difficulty using the automated process and might be better served using the optional live operator. The agent could provide assistance to that person in reaching the live operator. In our experience, if a customer becomes frustrated and cannot easily remember to try the live operator, the customer is likely simply to hang-up – frustrating consumer choice and unnecessarily resulting in a loss of sales for our company.

Similarly, customers sometimes have questions that occur to them during the verification process. If the agent is on the line, he or she can then terminate the TPV session, respond to the customer's inquiries, and reinitiate the TPV. However, under the drop off rule, there is no practical way for the customer to get answers to his or her questions. Even if the consumer can be reconnected to the agent's call center, it is very unlikely that the consumer will be connected to the sales agent the consumer had worked with, and who is in the best position to provide the assistance that consumer needs. This also frustrates consumer choice and results in unnecessary lost sales.

Because it will increase the cost of verification and may result in lost sales, Telecom New Zealand Communications Ltd will suffer irreparable harm if the drop off rule is not partially stayed. However, granting the stay—which is limited to allowing a sales agent to remain silently

on the line, assist the subscriber in reaching a live person, or terminate the call connection—will avoid causing irreparable harm to Telecom New Zealand Communications Ltd and other small carriers, while ensuring that consumers are not unduly influenced during the TPV process. It is therefore in the public interest to grant the stay.

II. A STAY AND RECONSIDERATION OF THE DROP OFF RULE IS REQUIRED BECAUSE THE COMMISSION FAILED TO COMPLY WITH THE REQUIREMENTS OF THE FEDERAL REGULATORY FLEXIBILITY ACT.

The partial stay must also be granted in order to avoid imposing unnecessary regulatory burdens on small carriers before the Commission has complied fully and completely with the Regulatory Flexibility Act. The RFA requires an agency to publish an initial regulatory flexibility analysis (“IRFA”) for any rule proposed in a general notice of proposed rulemaking.⁴ The IRFA must include, among other things, a description of any significant alternatives to the proposed rule which would accomplish the stated objectives and which minimize any significant economic impact of the proposed rule on small businesses.⁵ In the *Further Notice of Proposed Rulemaking* in this proceeding, the Commission sought comment on allowing a telemarketer to initiate three-way calls for TPV, but did not specifically propose a drop off requirement.⁶ The relevant portion of the IRFA states only that “the Commission seeks comment on the definition of an independent third party verifier and on the content of the independent third party verification,” which did not give any hint of a drop off requirement.⁷ It was thus impossible for interested parties to comment on a drop off requirement in response to the Commission’s IRFA.

⁴ See 5 U.S.C. ¶ 603(a).

⁵ 5 U.S.C. ¶ 603(c).

⁶ *Implementation of the Subscriber Carrier Selection Changes Provisions of the Telecommunications Act of 1996*, 14 FCC Rcd. 1508 ¶ 166 (1998) (“*Further NPRM*”).

⁷ *Id.* at ¶ 229.

Nevertheless, several commenters in this proceeding argued generally against adoption of a drop off requirement.⁸ RCN Telecom Services, Inc. stated that sales agents should be permitted to remain on the line to “answer any questions the subscriber may have about the verification process itself, his or her change of service, or any other service or technical matter.”⁹ CoreComm noted that such participation would benefit the consumer and that a drop off rule would cause unnecessary delays in the verification process.¹⁰ Sprint asserted that, as an alternative to drop off, the sales agent could remain silent during the call.¹¹ VoiceLog also argued against a drop off requirement, arguing that “[a]s a silent presence, the sales representative has no opportunity to influence the outcome of the TPV session.”¹² And as RCN pointed out, “unnecessarily rigorous or burdensome” TPV requirements “will only increase the costs a carrier must incur to attract and obtain new customers and thus, may decrease the benefits passed on to consumers.”¹³ These commenters presented the Commission with a significant alternative to the drop off rule that would protect consumers from undue influence without imposing unnecessary burdens on small businesses.

Nevertheless, the Commission failed to discuss any alternatives to the drop off rule or to examine the impact of the rule on small carriers, even though the rule, on its face, clearly applies to them.¹⁴ The RFA requires that final agency rules contain a final regulatory flexibility analysis (“FRFA”) describing the steps the agency has taken to minimize the significant economic impact

⁸ See, e.g., Reply Comments of VoiceLog LLC (filed May 3, 1999); Comments of RCN Telecom Services, Inc.; Comments of Cable & Wireless, Comments of CoreComm Ltd.

⁹ RCN Comments at 5.

¹⁰ CoreComm Comments at 6.

¹¹ Sprint Comments at 8.

¹² VoiceLog Reply Comments at 2.

¹³ RCN Comments at 6, n.2.

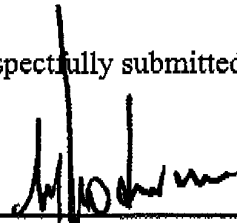
¹⁴ See *Third Report and Order* at ¶¶ 38, 112.

on small entities consistent with the agency's stated objectives, including a statement of the factual, policy, and legal reasons for selecting the alternative adopted in the final rule and why each one of the other significant alternatives to the rule considered by the agency which affect the impact on small entities was rejected.¹⁵ Therefore, the failure to conduct any analysis of significant alternatives in the RFA means the Commission must consider them now, and grant the stay in order to prevent harm to small carriers while the Commission undertakes the review that the RFA requires.

CONCLUSION

For all the foregoing reasons, Telecom New Zealand Communications Ltd asks that the Commission grant VoiceLog's petitions for partial stay and reconsideration of the *Third Report and Order* and adopt VoiceLog's proposed modification to the drop off rule.

Respectfully submitted,



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¹⁵ 5 U.S.C. § 604(a)(5).